



Wyoming Lender Alert

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November 2005

Steven Despain, District Director

Making a Difference for Small Business in Wyoming

Cynthia Lummis Named Women in Business Champion of the Year



The Wyoming District Office of the U.S. Small Business Administration (SBA) has named Cynthia Lummis, Wyoming's State Treasurer, for the Women in Business Advocate of the Year 2005. On Tuesday, May 3, 2005, at Little America in Cheyenne, Steve Despain, District Director, presented Ms. Lummis with this award.

This award is given to an individual who has advanced women's business ownership. Evaluation criteria include efforts to increase business and financial opportunities for women, legal, financial or managerial assistance, voluntary efforts to strengthen

the role of women business owners within the community and advocacy for the women-owned business community as a whole. The President of the United States recognizes contributions of the small business community to the American economy and society by proclamation each year.

While working for Governor Geringer, Cynthia spearheaded the Governor's Open Spaces Initiative and edited Wyoming's Open Lands Guidebook. She serves on the Board of the Institute for Environmental and Natural Resources at the University of Wyoming, participates in the open lands working group and serves on the Board of the Wyoming Stock Growers Agricultural Land Trust. Elected in 1998, Cynthia is currently serving as the twenty-ninth Treasurer of the State of Wyoming.

As Wyoming's State Treasurer, Cynthia has demonstrated a strong commitment to women's issues. Recently she was instrumental in bringing to Wyoming a conference on Women and Money. Included were topics on diverse money-management issues including developing small business, divorce and money, estate planning and mortgages,

financial institutions and identity fraud.

The Wyoming State Treasurer and the Bond Market Foundation Website is a reflection of her will and efforts to address Wyoming women's economic security and quality of life. This website advances women's economic education and promotes women's economic development. Included is information on budgeting, financial planning, job opportunities, care giving issues and helping to raise financially responsible children.

Revised Form 159 for 7(a) and 504 Loans

As of October 1, 2005, SBA Form 159, Compensation Agreement for Services in Connection with Applicant and Loan, has been revised. It is now titled "Fee Disclosure Form and Compensation Agreement." In addition, there is a separate version of Form 159 for each of the three loan programs: the 7(a) loan program [159 (7a)]; the 504 loan program [159 (504)]; and the Disaster loan program (159D). This notice covers only the 7(a) and 504 loan programs.

The new forms are available at SBA's website at <http://www.sba.gov/library>.

Click on the hyperlink titled "Forms" and then on SBA Form 159 (7a) or SBA Form 159 (504).

Significant changes to Form 159 are the following:

1. The form's purpose is to identify those Agents that receive compensation for expediting the loan application for a 7(a) or 504 loan. Each version of the form now identifies the rules governing packaging and referral fees for that loan program as well as providing a hyperlink to the rules themselves.
2. The form specifically requires the name and business address of each Agent covered by the form. The form also lists those not considered to be an Agent for purposes of this form. The list includes a state-certified or state-licensed appraiser, an environmental professional, and any attorney hired to close a loan. These changes ensure that the lender or CDC will enter the correct loan agent data consistently.
3. The threshold for itemization of services provided by an Agent has been increased to \$2,500. (Previously, any agent that received more than \$1,000 (or \$300 in the case of 7(a) loans in the amount of \$15,000 or less) was required to submit a separate schedule itemizing the services performed including the date of the service and the time spent each day.)

The new edition of SBA Form 159 may be used immediately but in all cases must be used for 7(a) and 504 loan applications

submitted to SBA beginning November 21, 2005.

Notification and Questions

SBA district offices must notify 7(a) Lenders and Certified Development Companies (CDCs) regarding the new SBA Form 159. SBA district offices with questions on the form may direct their questions to Gail Hepler via e-mail at gail.hepler@sba.gov. Lenders and CDCs are directed to forward their questions to their local SBA field office.

New Collateral Listing Policy for 504 Loan Closing

The following information addresses the policy that increases the dollar threshold for personal property taken as collateral on 504 & 7(a) loans.

You are still seeing loan applications and Authorizations that require the Lender or CDC to specifically list and describe all personal property collateral items worth over \$500. When the new Form 4 was drafted, a policy decision was made to raise the \$500 threshold for specific listing to \$5,000. This change was noted in SBA Notice 5000-962 announcing the new Form 4 effective 8/11/2005. The change applies to all SBA loans. The new 7(a) and 504 Authorizations effective Monday October 3 contain the new \$5,000 requirement.

This change affects the documents Lenders and CDCs are required to obtain at closing and is effective immediately. Lenders and CDCs have been

instructed that for loans closed after the effective date of the Notice, they may follow the new \$5,000 threshold for specific listing of the personal property collateral, even if the Authorization they are closing under contains the \$500 limit. For 504 loans closed after 8/11/2005, closing packages received with collateral listings using the \$5,000 threshold are acceptable even if the Authorization contains the \$500 limit.

SBA Surety Bond Guarantee Program Can Open New Opportunities for Small Business

Small Business contractors and service companies that want to become more competitive and bid on projects requiring surety bonds, can look to the U.S. Small Business Administration for the help they need to step up to that next level of business success.

Because of the protection surety bonds provide, the Miller Act of 1935 requires surety bonds on federally funded construction projects in excess of \$100,000. Today, virtually all states have their own statutes and now almost every public construction project across the country requires surety bonds.

The SBA's Surety Bond Guarantee Program can help small business contractors and manufacturers overcome challenges they face in winning government contracts and private-sector contracts, and in the process help them get that next bond and contract, and the next.

The idea behind surety bonding is simple and direct. One person, or entity, guarantees to another that a third person will perform a contract according to its terms. Historical records show a personal surety assuring Pharaoh that a farmer will place an agreed upon amount of grain, of a specific quality, and by a certain date, into Pharaoh's coffers.

Half of all construction firms in business today, however, will not be in business six years from now, according to the Associated General Contractors, a construction industry trade association. An economic downturn, labor difficulties, material shortages, the death of a key employee, equipment problems, bad weather, even fraud, can bring a project to a standstill, often causing the contractor to default and bills to go unpaid.

When a government entity awards a construction project to the lowest bidder, it knows that the surety bond company stands behind the contractor's promise to complete the job according to the owner's specifications and terms of the contract. Often, however, new and small businesses may not be able to obtain bonds through regular commercial channels.

With the SBA's Surety Bond Guarantee Program, the SBA guarantees surety companies against a percentage of the losses sustained as a result of a contractor's default on a guaranteed bid, payment or performance bond, making them more willing to issue bonds for smaller, newer companies. The

SBA can guarantee bid, payment and performance bonds for construction, service, and supply contracts up to \$2 million for eligible small contractors.

The overall SBA program consists of the Prior Approval Program and the Preferred Surety Bond Program. Under the Prior Approval Program, the SBA provides sureties an 80 or 90 percent guarantee to issue bonds on behalf of small businesses, and the surety must obtain SBA's prior approval for each bond. SBA guarantees 90 percent for bonds on contracts up to \$100,000, and on bonds for socially and economically disadvantaged contractors. Certified HUBZone contractors are eligible for the 90 percent guarantee under the Prior Approval Program. More information on the HUBZone Empowerment Contracting Program is available at www.sba.gov/hubzone.

Under the Preferred Surety Bond Program, selected sureties receive a 70 percent bond guarantee and are authorized to issue, service and monitor bonds without the SBA's prior approval.

The SBA charges fees to both the contractor and the surety company. Rates are published periodically in the Federal Register. The SBA does not charge the contractor a fee for a bid-bond guarantee.

Using the SBA's Surety Bond Guarantee Program can open up more business opportunities for small businesses. It could pave the way to obtaining a federal, state, county, municipal or

private-sector contract, and another, and another, and another.

For more complete information on the Surety Bond Guarantee program, contact Steve Parker in the Wyoming SBA office at (307) 261-6506 or email Stephen.Parker@sba.gov.

UPCOMING EVENTS

Nov. 2 – Women's Roundtable
Casper and Dubois

Nov. 3 – Women's Roundtable
Jackson

Nov 8 – Smart money Training
Jackson

Nov. 8, 9 – Government
Matchmaking Saratoga

Nov. 10 – Women's Roundtable
Laramie and Worland

Nov. 15 – Women's Roundtable
Cody

Nov. 17 – Women's Roundtable
Powell